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Corporate Social Responsibility within the Northern Ireland Construction Industry: A Regional Review

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As the construction industry continues to struggle with a poor societal image, many organizations have adopted a positive corporate social responsibility (CSR) towards their surrounding environment, with the objective of improving their persona within social circles. The aim of this research is to identify and document the various approaches adopted by UK contractors in relation to their international counterparts to aid in the identification of possible future benefits which may be exploitable.

In order to acquire the relevant information, a number of qualitative methodologies are adopted including a review of the current literature on the topic along with a detailed semi-structured interview with a UK based industry professional that specializes in corporate social responsibility. Through assessing the findings using qualitative analysis software, it is possible to disseminate the information, resulting in the identification of key findings. This research concludes that a number of factors profoundly affect corporate social responsibility within the UK versus other regions. These factors are identified as the effect of the recession, implementation and reporting along with competitiveness within the sector.

The impaction for practice within the UK construction sector of this research is that it enables various industry leaders to actively consider the findings of the research while also vigorously encouraging the establishment and development of corporate social responsibility, not only within their respective organizations, but within the construction industry as a whole. This would not only result in a more environmentally sustainable industry, but would also raise the awareness of the sector locally, nationally and internationally, therefore improving the overall perception of the sector on a variety of levels. This will ultimately lead to a more sustainable, environmentally friendly and collective industry while also considering the needs of one of its most important external stakeholders – the local community.

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ABSTRACT: As the construction industry continues to struggle with a poor societal image, many organizations have adopted a positive corporate social responsibility (CSR) towards their surrounding environment, with the objective of improving their persona within social circles. The aim of this research is to identify and document the various approaches adopted by UK contractors in relation to their international counterparts to aid in the identification of possible future benefits which may be exploitable. In order to acquire the relevant information, a number of qualitative methodologies are adopted including a review of the current literature on the topic along with a detailed semi-structured interview with a UK based industry professional that specializes in corporate social responsibility. Through assessing the findings using qualitative analysis software, it is possible to disseminate the information, resulting in the identification of key findings. This research concludes that a number of factors profoundly affect corporate social responsibility within the UK versus other regions. These factors are identified as the effect of the recession, implementation and reporting along with competitiveness within the sector. The impact for practice within the UK construction sector of this research is that it enables various industry leaders to actively consider the findings of the research while also vigorously encouraging the establishment and development of corporate social responsibility, not only within their respective organizations, but within the construction industry as a whole. This would not only result in a more environmentally sustainable industry, but would also raise the awareness of the sector locally, nationally and internationally, therefore improving the overall perception of the sector on a variety of levels. This will ultimately lead to a more sustainable, environmentally friendly and collective industry while also considering the needs of one of its most important external stakeholders – the local community.

1 INTRODUCTION

Sustainability is an issue that has received widespread awareness and concern since the Rio Earth Summit in 1992, and since then, many European states have produced strategies for more sustainable construction (Myers, 2004). This may be attributed to the significant environmental and social impacts created by the activities of the industry which often attracts

negative and hostile attention (Barthorpe, 2010). These activities, which include demolition, construction, mineral extraction and maintenance, are all part of a very visible, high impact industry and as Baldry (1997) states, are conducted within the public arena.

The past decade has seen several UK government initiatives published encouraging reform within the construction industry (Latham, 1994; Egan, 1998; DETR, 2000; ODPM, 2003; SBTG, 2004). The underlying theme throughout all the initiatives is for the construction industry to change from its traditional fragmented process, towards a more client orientated business approach, with the main challenge being one where social and environmental benefits could be achieved cooperatively with lower costs and higher profits.

There has since been a greater significance on the importance of the construction industry in contributing to everyone's quality of life (Myers, 2004). The industry helps to determine the shape, function and appearance of our cities, towns and countryside, contributes to the formations of communities, and has considerable environmental impacts (DETR, 2000; ODPM, 2003; SBTG, 2004). It has some of the biggest direct effects on water, resources, land use and carbon emissions (Holton et al. 2007; Pinkse and Domisse, 2008), indirectly effects the environment through transport systems, and also effects communities and even public health (Sev, 2009). As Pitt et al (2009) argues, the built environment in some form or other, either directly or indirectly affects all human activity. The construction industry is also a major contributor to the overall economy, resulting in providing significant impact on the three areas of sustainable development; environment, economy and society (Warnock, 2007; Pitt et al., 2009), elegantly phrased by Elkington (1994) as the 'triple bottom line'.

On the basis of this justification, the overall aim of the paper is to explore the current approach to Corporate Social Responsibility (CSR) within the Northern Ireland (NI) construction industry and compare this with practices carried out on an international scale. This is achieved through a qualitative approach encompassing a desk based literature review and a semi-structured interview with a local industry expert. Qualitative data analysis software is then used to analyze the various interviews, allowing for a discussion of the findings and a comparison within an international construction context. This paper will seek to define the current approaches to CSR within a NI construction company, why and how this approach is taken, and what the results have been for the industry. This will then allow a comparison with international construction practices highlighting similarities and differences, and what the implications for practice have been on the respective geographical locations.

2 CORPORATE SOCIAL RESPONSIBILITY AND THE CURRENT RECESSION

Corporate social responsibility (CSR) has been gaining momentum over the last decade and is now a key agenda for many companies (Jones et al 2006). It is a rapidly expanding phenomenon that influences companies to consider the social and environmental impacts that their working practices have (Barthorpe, 2010). The Commission of the European Communities (2001) defines CSR as "a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis". This can include environmental and social performance, treatment of employees, sustainable supply chain, health and safety, training and education, equality in the workplace, ethical conduct with competitors, suppliers and customers, and community and stakeholder engagement and management (CIEF, 2002; Jones et al, 2006; Kolk and Pinkse, 2006; Glass and Simmonds, 2007; Shen et al. 2010).

There are mainly two opposing opinions on the future of CSR in the recession. One stating that CSR will last the course, while the other being of the opposite viewpoint (Marwa et al 2011).

Skapinker (2009) feels that it would be easy to predict that the recession would end the recent rise in attention of CSR, however this seems to be to the contrary. McIntosh (2009) suggests that because there is still the need to address the very real and significant issue of climate change that CSR will not drift into the periphery of thinking for businesses, but will remain within their mainstream thinking for all important choices. McIntosh (2009) and Stancich (2009) argue that companies who are practicing CSR have a competitive edge over their competitors, and will not want to lose this advantage, especially in a tough economic climate. Furthermore, Perry-Smith (2009) states that companies who address environmental, social and governance issues during a recession tend to out-perform those who do not. Vogel (2009) supports this idea but argues that cuts would appear in payroll, capital investments, green marketing along with research and development.

Those of an opposing opinion include Winegarden (2008), who argues that CSR is simply a fad that companies entertain during profitable times, but now in a tougher era, they are unable to divulge any of their scarce profits to CSR. Welch and Welch (2009) found that while companies must remain socially responsible, the blunt reality is that a company's foremost priority is to ensure financial security and ultimately, profitability. They report that, among a study of some major US companies, approximately a third have predicted that they would have to cut their spending on sustainability issues. Radcliffe (2009) also reports that in many countries, CSR is fragile and only on the main business agenda, when profitable.

Notwithstanding financial cuts, there is ample evidence that CSR is still surviving and possibly prospering during the current recession in many countries (Delevigne, 2009). Some best practice examples of CSR have even been made in Africa during the recession (Abdy, 2005). CSR also seems to be staying the course in Japan, with positive CSR initiatives that suggests CSR is still on course. Marwa et al (2011) states that one major impact of the recession has been a mistrust of large companies, resulting in a reduction in and cutting down on CSR, a factor which is not the most proactive approach in regaining consumers trust. Instead companies should prioritize CSR while adopting and manage the benefits in a strategic manner that aligns with their core business objectives (Egan, 2004; Porter and Kramer, 2006; Radcliffe, 2009).

3 METHODOLOGY

The methodology adopted in the dissemination of information on the subject of CSR and regional differences between Northern Ireland and other countries is two-fold. Firstly a desk based literature review is undertaken to identify an exhaustive list of possible factors based on a plethora of sources. These sources include peer-reviewed journal papers and conference proceedings, online articles, books and magazines. From this list of factors, an industry expert is interviewed to ascertain that the factors identified are concurrent with industry practices, while also assisting in the identification of possible omitted elements. The interviewee in question is Northern Ireland based and has in excess of twenty years' experience in the remit of CSR, sustainability and social interactions, with a particular emphasis on the construction sector. The interview also provides an apt opportunity to affirm some factors, where the researchers are undecided on their viability and validity in line with the research at hand. A semi-structured interview style is adopted where the participant is asked a range of questions in no particular order, based on the progression of the conversation, with the responses recorded manually.

The interview is accessed using the transcribed minutes of the meeting with nVivo9™ being identified as the most suitable software package to assist in the coding of the interview into themes. The software is used to code the transcript into the three research themes that have

been identified in the literature review; (1) Strategy/Integration and Implementation/Reporting, (2) Strategy/Integration and Competitiveness, and (3) Effect of Recession and Competitiveness. The results are assessed and portrayed with the use of mind mapping techniques, where it is possible to decipher and assess the cause and effect relationships among the various factors in discussion. Based on the factors from the literature review and those identified by the interviewee, it is then possible to identify the social, environmental and economic aspects in relation to Northern Ireland and other geographical sectors.

4 ANALYSIS OF INTERVIEW

This section will illustrate how the data is analyzed in order to draw significance from the collaborated data and then allow a critical discussion of the findings. A summary of the main findings will be presented and then key relationships will be identified and analyzed.

4.1 *Strategy/Integration and Implementation/Reporting*

On assessment of the interview and supporting literature evaluated, a strong relationship between these two themes and how they are linked and inter-dependent of each other emerges. The four key areas in which CSR activities are implemented are identified as: ensuring health and safety, protecting the environment, supporting local communities, and investing in staff. This falls under the theme of 'Implementing and Reporting'. However it also emerges that the interviewees company has formal business procedures in place, in order to achieve objectives within these areas, and that they have a 'robust framework' for addressing each area, both of which fall under the category of 'Strategy and Integration'. This demonstrates that the implementation of the firms CSR activities are dependent on the strategy that the company has in place and follows a framework in order to achieve targets which have been set out within the strategy. Following the implementation of the CSR activities, the performance is then illustrated within a yearly sustainability report.

4.2 *Strategy/Integration and Competitiveness*

Again, the interview with the industry expert highlights dependence between these two themes. It is illustrated that by having a strategy and corporate governance structure in place, this ensures regulatory compliance within the company, both of which fall under the category of 'Strategy/Integration'. This in turn however leads to new market opportunities, while building loyalty and credibility with existing and potential customers; areas which are critical to the 'Competitiveness' of a company. Another example of the overlap between strategy and competitiveness is illustrated by the need for the company to demonstrate their commitment to CSR when tendering for work, which leads to working within that community to increase brand awareness. It is envisaged this will lead to new market opportunities and building better relationships with new and old customers. By having a strategy for CSR in place, this has presented market opportunities for the interviewee and their associated company, which have led to them being more competitive. Conversely, their need to demonstrate their CSR commitments to potential clients, in order to be competitive has driven the need to implement according CSR initiatives and activities. These initiatives are addressed through the company's framework and carried out through formal business procedures, both of which fall under the scope of the company's strategy. In short, the companies CSR strategy allows the company to be competitive, but it is the need to be competitive within this area that has driven the development and deployment of this particular CSR strategy.

4.3 *Effect of Recession and Competitiveness*

It emerged that the recession did impinge upon the companies CSR strategy to the effect that they had not developed any new philanthropic relationships with schools, charities, etc. over the last number of years. However, they are looking to improve their commitment to CSR in other departments in order to remain competitive and still demonstrate a strong commitment to CSR, thus aiding in the successful tendering process. This shows that the 'Effect of the Recession' and 'Competitiveness' are linked as far as the recession has forced companies to think of ways that they can develop CSR outside of giving to new charitable causes, but in a way that will still help them to remain competitive.

5 DISCUSSION

Based on of Elkington's (1994) triple bottom line of sustainable development discussed earlier, it is appropriate to divide the conclusion accordingly.

5.1 *Social*

It is established in the analysis of the interview that companies feel they have a commitment to the wider community, to deliver on the areas of social responsibility, that they identify as being key. From the literature review it is found that international companies have a similar comprehensive view on CSR, however, South American companies put the most emphasis on social issues, relating to such issues as employees and community. Petrovic-Lazarevic and Lazarevic (2009) state the reason for this being that companies are trying to fulfill the gap left by government as social agents. Similarly to this, the interviewee states that their company put significant effort into working in the community; however, the reason being for this is that they wanted to improve their companies brand and build a good reputation within that area, thus improving their chance of winning future work. Although the South American companies carry this out for other reasons, it could be worthwhile for future research to investigate what the outcome of this is, did it improve their reputation and what affect did this have on their competitiveness in successfully tendering for contracts in that area.

5.2 *Environmental*

The interviewee states that one of the key capacities in which they implement CSR, is in the protection of the environment. This is found to be the area in which most focus is given in European construction companies. The reason behind why it is a key area for European countries is attributed to the focus on complying with environmental regulations. There is a high political influence on reducing the environmental impact within Europe and a number of activities are implemented compulsorily via a legal framework. In contrast, the management of environmental impacts is carried out on a more voluntarily basis in South America and Asia. It could be considered that this is a benefit for those international countries that do not yet have as strict environmental regulations, as those that exist within Northern Ireland and Europe, as they are not obliged to spend money developing more environmentally friendly construction methods. However, it emerges from the interview, that by developing a CSR strategy, that this allowed the company to ensure regulatory compliance, which in turn, permitted them to develop more market opportunities, as well as lowering running costs and building good relationships and reputations with customers. In this regard, it could be seen that European countries having to comply with environmental regulations actually been beneficial, both to the environment and the success of the business.

5.3 Economic

This area is somewhat similar to competitiveness however results from the literature review demonstrate that Asian countries put more emphasis on this than on environmental and social issues within CSR. There was no economic issue stated within the four key areas the interview respondent identified for their company's CSR policy. It is however clear that there are economic benefits deriving from the initiatives that they implement, such as developing new market opportunities and attracting new clients. This supports Armistead's (2005) claim that companies had now realized the financial importance of CSR. The first priority of any business is to make money so it is not surprising that the economic outcome will be a key consideration for any company implementing CSR, whether within Northern Ireland or internationally, and they will all be seeking to realize any economic benefits that are achievable.

6 CONCLUSION

From the review of the literature in conjunction with a thorough interview with an industry knowledgeable practitioner in CSR within the construction sector, it is possible to identify a number of themes which are prevalent throughout not only Northern Ireland, but also in relation to other geographical regions. The results indicate that there is a strong link with three core themes; (1) Strategy/Integration and Implementation/Reporting, (2) Strategy/Integration and Competitiveness, and (3) Effect of Recession and Competitiveness. When reviewing these relationships in accordance with Elkington's (1994) triple bottom line of sustainable development; social, environmental and economic parameters are identified as being fundamentally important. This implies that a comprehensive approach needs to be taken to CSR in order to both fulfill ones obligations to society, and also gain any economical or competitive gains that can be made. The results indicate that there is a wide spread belief that if implemented correctly, then CSR can provide a company with a competitive advantage, not only in Northern Ireland, but in other locations, such as America and Australia. Therefore, it is encouraged that, regardless of location or the economic climate at present, the construction industry, both domestically and internationally, embraces and exemplifies the benefits available through the incorporation of CSR within their respective locations for the betterment not only of their social surroundings but also their financial prospects.

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